



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Sandy Becker, Director of Financial Services**
Date: July 16 2018
Report: FIN.18.15
Subject: 2018 Q2 Operating Variance Report

Recommendations:

That South Huron Council receive the report from S. Becker, Director of Financial Services re: 2018 Q2 Operating Variance Report for information only.

Purpose:

The purpose of this report is to update South Huron Council regarding the operating performance as of June 30, 2018.

Background and Analysis:

The department managers are accountable to monitor their departmental revenues and expenditures and project to the end of the fiscal period to ensure that they remain within the approved budget.

The quarterly financial report represents the municipal financial activity for the period ending June 30, 2018 on a basis consistent with that of the budget adopted by Council.

The second quarter report includes half of the fiscal operating year. A straight line budget theory has been used to represent the budget year to date to give an idea of what six months of the budget looks like. It is calculated by evenly distributing the budget over the fiscal year. This theory fits certain line items better than others and is, therefore, merely a guide. The expectation is that the second quarter would see actual results around

50% of the total budget, but this is subject to timing differences such as, annual membership payments, lump sum insurance payments, etc.

Operational Considerations:

As this report is being presented for information purposes only, no alternatives are presented.

South Huron's Strategic Plan:

The recommendation(s) included in this Staff Report support the following goals identified in the 2015-2019 Strategic Plan:

Administrative Efficiency and Fiscal Responsibility

Transparent, Accountable and Collaborative Governance

The quarterly variance reporting framework assists managers in identifying emerging issues along with steps or processes required to adjust activities to stay within the budget or to respond to those emerging issues.

The consistency of providing these accountability and information reports assist council in better understanding the operational and budgetary issues facing various costing centres.

Financial Impact:

The results of the second quarter operating variances do not suggest any adverse financial impacts.

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Policies/Legislation:

Budget Development and Financial Reporting Policy & Procedure
Reserves and Reserves Fund Policy & Procedure

Consultation:

The following department managers provided an update on each of their respective areas of responsibility;

Dwayne McNab, Chief Building Official
 Andrew Baird, Emergency Services Manager/Fire Chief
 Jo-Anne Fields, Community Services Manager
 Don Giberson, Director of Operations and Infrastructure

Related Documents:

Appendix A – Q2 Operating Variances by Department

Prepared by,

Angela Shipway, Financial Services Supervisor

Respectfully submitted,

Sandy Becker, Director of Financial Services

Appendix A – Q2 Operating Variances by Department

For the quarter ended June 30, 2018

Building Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties ¹	3,000	1,500	336	(2,664)	11.21%

¹ Fines and penalties are slightly lower than expected due to the adoption of the new animal control and parking by-laws which disables the ability to administer fines until approval from the Attorney General is given.

Other Revenue ²	30,000	15,000	0	(30,000)	0.00%
Permits/Licenses	206,500	103,250	211,291	4,791	102.32%
Transfer from Reserves ³	52,690	26,345	0	(52,690)	0.00%
User Fees/Charges	29,500	14,750	21,396	(8,104)	72.53%
Total Revenue	321,690	160,845	233,023	(88,667)	72.44%
Expense:					
Contracted Services ⁴	96,639	48,319	11,777	(84,861)	12.19%
Materials	82,259	41,129	18,686	(63,573)	22.72%
Transfer to Reserves ⁵	3,279	1,640	1,639	(1,640)	49.99%
Wages & Benefits	284,298	142,149	124,313	(159,985)	43.73%
Total Expense	466,475	233,237	156,416	(310,059)	33.53%
Net Total	(144,785)	(72,392)	76,608	221,393	

The building department has seen a lot of activity in 2018 which is demonstrated in revenues. To date 62 building permits have been issued with a permit value of over \$176,000. Additionally, the planning department has received a greater than expected number of applications. The expenses are anticipated to be within budget. It is important to note that the variance report is generated at a specific point in time and may not reflect any delayed payments for permits included in their respective reports.

Cemetery Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Cemetery	90,000	45,000	43,992	(46,008)	48.88%
Donations/Fundraising	350	175	0	(350)	0.00%
Investment Income ⁶	17,400	8,700	15,251	(2,149)	87.65%
Total Revenue	107,750	53,875	59,243	(48,507)	54.98%

² This is rebill revenues for external professional services (ex. legal, engineering) and is offset by an expense for the same amount. It is driven by public demand and fluctuates accordingly.

³ This figure is an annual transfer based on legislated building requirements.

⁴ These are for external services based on public need.

⁵ This is an annual transfer based on legislated building requirements.

⁶ Due to a modification in investment strategy a gain on investment was realized during the quarter. Slight increase in interest rates has also added to the investment income.

Expense:					
Contracted Services ⁷	4,850	2,425	4,239	(611)	87.39%
Materials	42,610	21,305	18,166	(24,444)	42.63%
Transfer to Reserves	10,179	5,090	3,339	(6,840)	32.81%
Wages & Benefits	82,935	41,467	45,072	(37,863)	54.35%
Total Expense	140,574	70,287	70,815	(69,758)	50.38%
Net Total	(32,824)	(16,412)	(11,572)	21,251	

The revenues and expenses are in line with the expected performance for the second quarter. This is not anticipated to change.

Emergency Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Donations/ Fundraising	8,000	4,000	4,762	(3,238)	59.53%
Grant Revenues ⁸	25,000	12,500	32,703	7,703	130.81%
Other Revenue ⁹	5,000	2,500	25	(4,975)	0.50%
User Fees/Charges ¹⁰	19,220	9,610	7,496	(11,724)	39.00%
Total Revenue	57,220	28,610	44,987	(12,234)	78.62%
Expense:					
Contracted Services	103,198	51,599	52,228	(50,971)	50.61%
Materials	221,540	110,770	132,213	(89,326)	59.68%
Transfer to Reserves	172,231	86,116	86,116	(86,115)	50.00%
Wages & Benefits	436,036	218,018	197,023	(239,013)	45.18%
Total Expense	933,005	466,502	467,579	(465,425)	50.12%
Net Total	(875,785)	(437,892)	(422,593)	453,192	

⁷ This includes software licensing costs that are expensed/paid annually.

⁸ Grant revenues are based on fire agreements and are higher than anticipated.

⁹ Rebill revenues are driven by public demand.

¹⁰ Anticipating lower than budgeted user fees due to the elimination of the charge for South Huron Residents vehicle accidents.

The revenues and expenses are in line with the budget through the end of the second quarter. Revenues have increased significantly from the first quarter and expenses have increased proportionately for the second quarter.

General Administration

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	193,230	96,615	86,634	(106,596)	44.83%
Grant Revenues	1,502,313	751,157	748,728	(753,585)	49.84%
Investment Income ¹¹	70,000	35,000	102,953	32,953	147.08%
Other Revenue	2,500	1,250	1,088	(1,412)	43.52%
Permits/Licenses	12,200	6,100	5,866	(6,334)	48.08%
Taxation Levy	8,535,451	4,267,726	4,079,016	(4,456,435)	47.79%
Transfer from Reserves ¹²	163,767	81,884	0	(163,767)	0.00%
User Fees/Charges	21,400	10,700	15,350	(6,050)	71.73%
Total Revenue	10,500,861	5,250,431	5,039,636	(5,461,225)	47.99%
Expense:					
Contracted Services ¹³	2,096,318	1,048,159	869,908	(1,226,410)	41.50%
External Transfers	278,230	139,115	130,674	(147,556)	46.97%
Grant Expenses	55,426	27,713	31,612	(23,814)	57.04%
Materials ¹⁴	364,182	182,091	118,475	(245,707)	32.53%
Transfer to Reserves	52,313	26,157	24,283	(28,030)	46.42%

¹¹ Increasing interest rates and the modification in investment strategy has realized a healthy gain early in the fiscal year.

¹² Annual transfer completed at year end.

¹³ This includes asset management funds for \$25,000 which have not yet been used as well as \$30,000 for an energy plan.

¹⁴ This includes the brickwork for Town Hall which begins early July as well as election expenses which will be incurred towards the end of the year.

Wages & Benefits	1,066,121	533,060	516,830	(549,291)	48.48%
Total Expense	3,912,589	1,956,295	1,691,782	(2,220,807)	43.24%
Net Total	6,588,272	3,294,136	3,347,853	(3,240,418)	50.82%

General Administration is in line with budgeted expectations for the second quarter.

Recreation Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Donations/ Fundraising ¹⁵	37,600	18,800	2,559	(35,041)	6.81%
Grant Revenues ¹⁶	20,621	10,311	0	(20,621)	0.00%
Other Revenue	10,700	5,350	2,359	(8,341)	22.05%
User Fees/Charges ¹⁷	671,762	335,881	252,838	(418,924)	37.64%
Total Revenue	740,683	370,342	257,755	(482,928)	34.80%
Expense:					
Contracted Services ¹⁸	143,720	71,860	51,630	(92,090)	35.92%
Debt - Interest Payments	30,257	15,129	15,301	(14,956)	50.57%
Debt - Principal payments	34,484	17,242	17,069	(17,415)	49.50%
Grant Expenses	33,091	16,546	10,000	(23,091)	30.22%
Materials	770,400	385,200	380,999	(389,401)	49.45%
Transfer to Reserves	133,173	66,587	66,586	(66,587)	50.00%

¹⁵ Donations are largely collected for advertising in the arena on the boards and ice resurfer. This is seasonal and has not yet been collected. Additionally the remainder is expected for the Rodeo which is underway but not included in this report.

¹⁶ This includes the Bluewater share for the Dashwood Community Centre which has not yet been received.

¹⁷ The pool programs have not yet begun which has had an operational impact and due to timing not all summer registrations will be included. Additionally ice times have a large impact on user fees which is seasonal in nature.

¹⁸ This includes a Recreation Master Plan which has not yet begun.

Wages & Benefits	973,659	486,830	391,125	(582,534)	40.17%
Total Expense	2,118,784	1,059,392	932,711	(1,186,073)	44.02%
Net Total	(1,378,101)	(689,051)	(674,956)	703,146	48.98%

Recreation and Community Services is in line with expectation for this time of the year. Due to seasonality and the pool capital project the revenues appear slightly low, however the expenses are on target.

Sewer Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	0	0	1,549	1,549	100.00%
General Revenue	261,770	130,885	130,589	(131,181)	49.89%
Other Revenue ¹⁹	30,000	15,000	0	(30,000)	0.00%
User Fees/Charges ²⁰	1,723,320	861,660	564,595	(1,158,725)	32.76%
Total Revenue	2,015,090	1,007,545	696,732	(1,318,358)	34.58%
Expense:					
Contracted Services	297,910	148,955	173,046	(124,864)	58.09%
Debt - Interest Payments	409,851	204,926	234,942	(174,909)	57.32%
Debt - Principal payments	337,008	168,504	201,787	(135,221)	59.88%
Materials	280,915	140,458	142,088	(138,827)	50.58%
Transfer to Reserves	475,613	237,807	237,806	(237,807)	50.00%
Wages & Benefits	215,070	107,535	102,711	(112,359)	47.76%
Total Expense	2,016,367	1,008,184	1,092,380	(923,988)	54.18%
Net Total	(1,277)	(639)	(395,648)	(394,370)	

The revenues appear slightly low due to timing differences in reporting and utility billing cycles. This is expected to normalize as the operations

¹⁹ This is rebill revenues and are volatile based on public demands for services.

²⁰ Due to the timing of the report this will not include the most recent billing for Stephen and excludes the upcoming Exeter billing as well.

continue. Expenses for sewer services are in line with expectation for this point in the year.

Solid Waste Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Other Revenue ²¹	33,500	16,750	8,388	(25,112)	25.04%
Transfer from Reserves ²²	45,749	22,875	0	(45,749)	0.00%
User Fees/Charges	1,153,199	576,599	445,372	(707,827)	38.62%
Total Revenue	1,232,448	616,224	453,760	(778,688)	36.82%
Expense:					
Contracted Services	873,526	436,763	421,939	(451,587)	48.30%
Materials	56,586	28,293	40,495	(16,091)	71.56%
Transfer to Reserves	124,297	62,149	9,649	(114,648)	7.76%
Wages & Benefits	178,136	89,068	73,781	(104,355)	41.42%
Total Expense	1,232,545	616,272	545,864	(686,681)	44.29%
Net Total	(97)	(49)	(92,104)	(92,007)	

Solid waste services is in line with expectation for this time of year.

Streetlighting

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
General Revenue	123,519	61,760	160,858	37,339	130.23%
Total Revenue	123,519	61,760	160,858	37,339	130.23%
Expense:					

²¹ Includes tire and recycling rebates which we have not received to date.

²² This is an annual amount and part of year end procedures.

Materials	100,400	50,200	44,411	(55,989)	44.23%
Transfer to Reserves	23,119	11,560	11,559	(11,560)	50.00%
Total Expense	123,519	61,760	55,971	(67,548)	45.31%
Net Total	0	0	104,887	104,887	

Streetlighting is in line with target for this time of year.

Transportation Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Grant Revenues ²³	92,613	46,306	0	(92,613)	0.00%
Other Revenue	88,220	44,110	41,191	(47,029)	46.69%
Transfer from Reserves	20,000	10,000	0	(20,000)	0.00%
User Fees/Charges	14,476	7,238	14,476	0	100.00%
Total Revenue	215,309	107,654	55,667	(159,642)	25.85%
Expense:					
Contracted Services ²⁴	185,778	92,889	34,778	(151,000)	18.72%
Debt - Interest Payments	1,006	503	1,006	0	100.00%
Debt - Principal payments	41,919	20,960	41,919	0	100.00%
Grant Expenses	85,226	42,613	12,506	(72,720)	14.67%

²³ This includes the superintendant grant for drainage works and is dependent upon the billing from the superintendant. Second quarter billing would be received during the third quarter. The offsetting expense is also slightly low.

²⁴ This includes \$100,000 related to asset condition assessments which have not yet been completed.

Materials	1,250,491	625,246	644,461	(606,030)	51.54%
Transfer to Reserves	700,854	350,427	350,427	(350,427)	50.00%
Wages & Benefits	924,319	462,159	494,167	(430,152)	53.46%
Total Expense	3,189,594	1,594,797	1,579,266	(1,610,328)	49.51%
Net Total	(2,974,285)	(1,487,143)	(1,523,599)	1,450,687	51.23%

Transportation services is in line with expectation in terms of expenses. Revenues appear slightly low, but this is due to the drainage grants and transfers from reserve which occurs annually.

Water Services

	Budget	Budget YTD	YTD Actual Cost	Variance Over/(Under)	YTD Percentage
Revenue:					
Fines/Penalties	18,000	9,000	10,045	(7,955)	55.80%
General Revenue	134,828	67,414	67,273	(67,555)	49.90%
Other Revenue	50,000	25,000	27,145	(22,855)	54.29%
Transfer from Reserves	10,900	5,450	0	(10,900)	0.00%
User Fees/Charges ²⁵	3,628,419	1,814,209	1,086,227	(2,542,192)	29.94%
Total Revenue	3,842,147	1,921,073	1,190,689	(2,651,457)	30.99%
Expense:					
Contracted Services ²⁶	148,500	74,250	26,200	(122,300)	17.64%
Debt - Interest Payments	536,734	268,367	270,725	(266,009)	50.44%
Debt - Principal payments	384,115	192,058	194,554	(189,561)	50.65%
Materials	1,056,609	528,305	394,852	(661,757)	37.37%
Transfer to Reserves	816,000	408,000	408,000	(408,000)	50.00%
Wages & Benefits	528,264	264,132	255,999	(272,264)	48.46%
Total Expense	3,470,222	1,735,111	1,550,331	(1,919,891)	44.68%

²⁵ Due to the timing of the report this will not include the most recent billing for Stephen and excludes the upcoming Exeter billing as well.

²⁶ This budget line includes water rate study and funds for the asset management program which have not been expended to date.

Net Total	371,925	185,962	(359,641)	(731,566)	
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Total expenses are in line with expectation for second quarter operations. Revenues appear slightly low, however due to timing differences between reporting and utility billing deadlines this is expected.